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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **February 1986**

YEAR-END REVIEW AND OUTLOOK
Moderate Growth in 1985; More of the Same in 1986

On the surface, 1985 was not a year to be overly excited about the Pennsylvania economy. Early in the year, fears of a "growth recession" and, even worse, a full-fledged recession, were widespread. In most cases, Pennsylvania was outperformed by the nation. This trend is especially evident when employment patterns in nonagricultural establishments are examined. Additionally, the manufacturing sector turned in a poorer performance in Pennsylvania than in 1984.

However, a closer examination reveals some underlying strength in the economy which began to surface as the year drew to a close and the fourth year of the expansion began. This surge helped upgrade the economy's performance from "below average" to "moderate." Should these advances be sustained through 1986, chances are quite good for continued moderate growth. Any improvement over this moderate-growth scenario depends on an especially strong manufacturing rebound.

THE REVIEW: Perhaps **the year's most significant development was manufacturing's slump.** The number of jobs in the Commonwealth's manufacturing establishments fell nine consecutive months in 1985, from February to October. Nationally, manufacturing job levels fell in eight of the year's first nine months. Three major developments contributed to the slump. One was intense competition from foreign producers, partially the result of the dollar's strength on the currency markets. The second reason was a lack of confidence in the future course of the economy. When individuals, and especially firms, become concerned about the economy's strength, the first action they often take is to reduce their purchases of manufactured goods, especially durable goods. Finally, there has been a continuing trend towards labor-saving capital investment.

There was a 3.2 percent decline in manufacturing jobs in Pennsylvania, from 1.12 million in 1984 to 1.08 million in 1985. This is the lowest level on record since our data collection began in 1962 and follows a 1984 increase in excess of 2 percent. Nationally, there was a minimal increase in the number of jobs in the sector. In the Commonwealth, 23,000 of the 36,000 jobs lost were in durable goods industries.

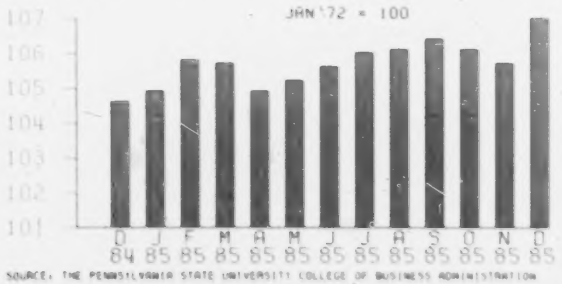
The State's largest durable goods employer, primary metals, continued to have its share of problems, losing 12,000 jobs for a 10.2 percent decline compared to the nation's 5 percent fall. Job levels have declined each year since 1980. Pennsylvania's share of domestic production dipped from 15.5 percent in 1984 to 13.7 percent in 1985 as output fell 15.9 percent.

As the year drew to a close, manufacturing showed signs of a rebound. The number of jobs in Pennsylvania manufacturing establishments rose in November and December after seasonal adjustment. The average workweek, a leading indicator, rose in two of the final three months of the year after adjustment, as did total hours worked, payrolls, and electricity sales to industrial customers, a good proxy for production.

Still, the upturn was not enough to push these measures for the year as a whole above 1984 levels. Again, Pennsylvania performed poorer than the nation. A look at the average workweek illustrates that durable goods industries fared worse than nondurable goods industries. While the workweek in nondurable goods rose slightly, a substantial drop occurred in durable goods. The 0.3 hour drop in the manufacturing workweek to 39.9 hours was the first in three years. Nationally, the workweek stood at 40.5 hours, down 0.2 hour from 1984.

Despite the difficulties faced by the Commonwealth's manufacturers, **nonmanufacturing continued on an upward trend.** Job levels in the sector increased for the third straight year in rising 11 of the 12 months in 1985 to a record high 3.64 million. **The ability of the sector to "carry" the economy was surprising to many and**

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

does indicate some underlying strength. However, the 3.2 percent advance in Pennsylvania, which follows a 2.9 percent 1984 gain, was smaller than the 4.3 percent national gain.

In the nonmanufacturing sector, **Pennsylvania's construction and service-producing industries turned in strong 1985 performances.** The 193,000 construction jobs represent a 9.7 percent increase over 1984 compared to the nation's 7.3 percent advance. They also represent the largest number of jobs in the industry since 1979. A 6 percent increase in Pennsylvania construction jobs occurred in 1984. The value of construction contracts awarded rose in real and nominal terms. Gains in the residential building and nonbuilding categories offset a decline in the nonresidential group. The apparent increase in residential construction activity may be traced to two developments: lower interest rates, and hence, housing costs; and uncertainty over future tax laws as they relate to the construction of multifamily dwellings. The increase in contract values was larger than in the nation in the residential and nonbuilding groups. The Commonwealth's performance fell short of the nation's in the nonresidential building category.

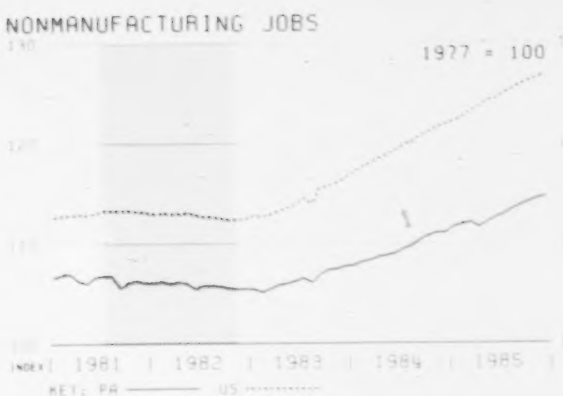
Each of Pennsylvania's seven service-producing industries experienced job gains during 1985, but the gains in each were less than the national increases. Although the 3.4 million jobs in these industries were the highest on record, the 2.9 percent improvement over 1984 was less than the nation's 4.2 percent advance.

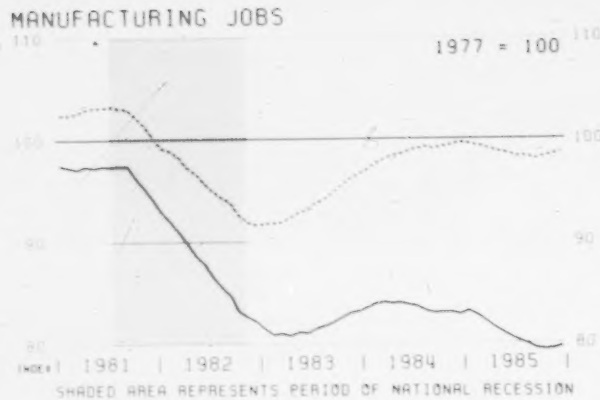
Four industries accounted for the bulk of the gains in Pennsylvania: wholesale trade; retail trade; finance, insurance, and real estate; and services. Gains in trade were helped by the well-publicized, at least at the national level, surge in spending as consumers loosened their purse strings. **Retail sales were up 7.1 percent in Pennsylvania during the first 11 months of the year compared to a 6.3 percent national gain.** Job increases in finance came about as deregulation continued sweeping through the industry, creating new employment opportunities. Gains in services industries were a byproduct of the overall trend towards a services-based economy and away from a manufacturing-based one.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1985		1984	1985		1984	1985		1984
	Nov.	Dec.	Dec.	Nov.	Dec.	Dec.	Nov.	Dec.	Dec.
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)	4,801*	4,795	4,723	4,754*	4,765	4,692	104.1*	104.4	102.8
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,731*	3,728	3,612	3,688*	3,696	3,580	114.4*	114.7	111.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,068	1,068	1,109	1,065	1,069	1,112	79.4	79.6	82.8
Ave. wkly. hrs. worked by prod. workers	40.3	41.0	40.3	39.9	40.7	40.0	100.9	103.0	101.2
Total wkly. person-hours worked (mils.)	29.3	29.7	30.7	28.9	29.4	30.5	75.3	76.7	79.5
Total wkly. payroll (mil. dols.)	283.0	290.9	290.9	276.8	287.0	286.9	124.1*	127.7	127.7
Steel production (thous. tons)	982	845	765	n.a.	n.a.	n.a.	50.1	49.0	43.3
Industrial electric power sales (mil. kwh)	3,344	3,416	3,385	3,477	3,533	3,494	94.1	95.7	94.6
Mining									
Anthracite coal (thous. net tons)	321	328	340	297	299	325	60.7	61.3	66.4
Bituminous coal (thous. net tons)	4,181	5,590	4,278	4,685	5,895	4,649	86.4	83.6	85.9
Construction contracts awarded (mil. dols.)									
Total	508.3	506.2	423.0	548.8	570.8	478.1	170.6	177.4	148.6
Residential building	204.1	183.1	129.4	226.2	243.4	178.1	180.7	172.9	126.5
Nonresidential building	153.4	173.2	153.5	155.2	180.5	171.6	143.1	166.4	158.2
Nonbuilding (utilities and public works)	150.8	149.8	140.0	167.4	146.9	126.4	230.9	202.7	177.1
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,109	5,177	5,140	5,092	5,149	5,113	104.1	107.2	106.4
Unemployed									
No. of persons (thous.)	418	408	408	433	419	417	107.9	104.9	103.9
Rate (percentage of labor force)	7.6	7.3	7.3						
Rate, seasonally adjusted				8.0	7.7	7.6			
Civilian labor force, no. of persons (thous.)	5,527	[redacted]	5,548	5,435	5,568	5,530	104.4	107.0	106.2
Initial claims for unemployment benefits	114,985	175,766	172,724	116,462	120,963	125,561	81.3	84.5	87.7

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1985		1984	Month Ago	Year Ago
	Nov.	Dec.	Dec.		
U.S. city average	326.6	327.4	315.5	+0.2	+3.8
Philadelphia	318.8	319.7	305.1	+0.3	+4.8
Pittsburgh	n.a.	331.5	322.1	n.a.	+2.9
Northeast PA	310.6	n.a.	301.1	n.a.	+3.2

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.
Total includes workers on strike. * = figure revised. † = figure for November 1984. n.a. = data not available.
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.





The lone dark spot in the nonmanufacturing sector occurred, not surprisingly, in mining. There were 38,000 jobs in the Pennsylvania mining industry in 1985, down from 39,000 in 1984. This represents the fifth decline in the last six years. Nationally, mining jobs fell in three of those years.

The 113,000 new jobs generated in the nonmanufacturing sector in 1985 more than offset the 36,000 jobs lost in manufacturing, resulting in 74,000 new nonagricultural jobs in Pennsylvania. The 4.7 million jobs in the Commonwealth's establishments was the highest since 1981. In addition to Pennsylvanians, this measure includes residents of other states holding positions in Commonwealth establishments. It also counts multiple job-holders more than once. The 1.6 percent 1985 gain realized in the Commonwealth was less than one-half the national advance and was lower than 1984's 2.7 percent gain.

There were more than 5.1 million Pennsylvanians employed in 1985 for a new record. The 2.3 percent increase translates into 117,000 new employed residents and is slightly higher than the nation's 2 percent increase.

Enough jobs were generated to absorb a net inflow of 62,000 into the labor force and to reduce the number of residents counted as unemployed by 55,000. **The unemployment rate fell from 9.1 percent to 8 percent following a 2.8 percentage point drop in 1984.** Nationally, the rate fell 0.3 point in 1985, from 7.5 to 7.2 percent.

Inflation was not a problem in 1985. Nationally, prices rose just 3.6 percent, higher than the increases in the Pittsburgh and Northeast Pennsylvania regions, but nearly one percentage point lower than the inflation rate in the Philadelphia region.

Given the changes in fiscal policy called for in the Gramm-Rudman deficit reduction statute, **the Federal Reserve must soon confront a major issue: whether or not to offset the spending cutbacks with a more expansive monetary policy.** Should the Fed choose to take up the slack caused by the spending reductions by easing credit, they may risk reigniting inflation. However, should the Fed decide against such action and hold steady, they may risk sending the economy into a tailspin.

Manufacturing activity has failed to return to pre-recession levels. Employment in the sector is down 21.8 percent from 1979. Declines were most severe in the durable goods industries. The steel industry turned in an especially poor performance. The average workweek is unchanged, while declines occurred in total hours worked and industrial electric power sales.

In the nonmanufacturing sector: **mining activity fell considerably from 1979 levels.** Both the number of jobs and output is down in the industry. **Construction's performance is mixed.** While employment is down slightly, the value of contracts awarded rose in both real and nominal terms. **The service-producing industries have expanded.** There were 7.8 percent more workers in these industries than in 1979. The finance and services industries turned in the strongest gains.

In part because of manufacturing's difficulties, **the 8 percent unemployment rate in 1985 was up 1.1 points from 1979.** There was a 20 percent increase in the number of unemployed, while resident employment was up only slightly. The Pennsylvania economy has not generated enough jobs to absorb the increase in the workforce since 1979.

THE OUTLOOK: The key to 1986 economic growth in Pennsylvania will be manufacturing. If the upturn which began in the sector during the final quarter of 1985 continues, economic growth should be quite healthy. Should the rebound prove to be temporary, growth will probably be sluggish. It is doubtful that the economy will be as strong as in the last few years without help from manufacturing.

The strength of a manufacturing rebound depends on several factors. Further declines in the dollar's value certainly would not hurt; however, it is hard to quantify these benefits at the state level. Any benefits that result from further depreciation will depend on the specifics of the decline. For instance, it is possible that the dollar's value may fall because of declines against the currencies of the major industrialized countries which offset appreciations relative to the currencies of developing countries. Hence, in the case of steel where many developing countries have emerged as competitors in the

domestic market, the gains from a falling dollar would be minimal.

More important than the value of the dollar to manufacturing's future is economic expectations. **If the outlook is healthy, consumers tend to increase their purchases of durable goods, such as autos and appliances, while firms increase expenditures on capital goods.** These developments would benefit Pennsylvania manufacturers.

Further **growth in the nonmanufacturing sector will require additional income gains,** since a relatively large part of the purchases of nonmanufactured goods and services are discretionary and subject to adequate levels of income. If the employment picture continues to improve, these increases in income should be realized.

However, on the plus side, a relatively large share of some service-related activities, such as business services, are exported from the State. Therefore, they are dependent more on national economic performance than on the health of the Pennsylvania economy.

In a nutshell, 1986 shapes up as follows:

- Based on the upward trend evident at the end of 1985, **the manufacturing sector may show some growth in 1986.** However, growth will probably be average at best, but still an improvement over last year.
- Nonmanufacturing will continue to grow as it benefits from manufacturing's gains. **Leading the way again will be the services, trade, and finance industries.**

Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania					United States	
	Monthly Average			Percentage change		Percentage change	
	1985	1984	1979	84-85	79-85	84-85	79-85
No. of wage and salary jobs (thous.)							
All nonfarm industries	4,727	4,653	4,815	1.6	-1.8	3.4	8.8
Manufacturing	1,084	1,120	1,387	-3.2	-21.8	0.1	-7.7
Durable goods	602	645	854	-6.6	-27.2	-0.4	-9.4
Primary metals	106	118	204	-10.2	-48.0	-5.0	-35.0
Nondurable goods	482	475	533	2.7	-13.3	0.4	-5.1
Nonmanufacturing	3,640	3,527	3,419	3.2	6.5	4.3	13.8
Mining	38	39	52	-2.6	-26.9	-0.5	1.1
Construction	193	176	204	9.7	-5.4	7.3	4.4
Service-producing industries	3,409	3,313	3,163	2.9	7.8	4.2	14.6
Transportation and public utilities	247	246	272	0.4	-9.2	2.5	3.2
Wholesale trade	258	250	239	3.2	7.9	4.0	10.9
Retail trade	803	783	753	2.6	6.6	5.0	16.2
Finance, insurance, and real estate	263	254	234	3.1	12.0	4.3	19.1
Services and miscellaneous	1,165	1,108	944	5.1	23.4	5.6	28.2
Federal government	135	134	131	0.7	3.1	2.4	3.6
State and local government	539	538	590	0.2	-8.6	4.9	1.9
Ave. wkly. hours worked by production workers							
All manufacturing industries	39.9	40.2	39.9	-0.7	0.0	-0.5	0.7
Durable goods	40.9	41.5	41.2	-1.4	-0.7	-0.5	1.0
Primary metals	40.8	40.8	41.5	0.0	-1.7	-0.5	0.2
Nondurable goods	38.6	38.5	37.9	0.3	1.8	0.0	0.8
Total factory person-hours worked (mils.)	29.5	31.0	39.7	-4.8	-25.7	-1.1	-11.6
Total factory payrolls (mil. dols.)	282	288	277	-2.1	1.8	2.4	25.7
Steel production (thou. tons)	1,007	1,198	2,351	-15.9	-57.2	-4.6	-35.9
Industrial electric power sales (mil. kwh)	3,510	3,634	3,954	-3.4	-11.2	n.a.[1]	n.a.
Mining							
Anthracite coal (thou. net tons)	317	347	403	-8.6	-21.3		
Bituminous coal (thou. net tons)	4,923	6,037	7,431	-18.5	-33.8	20.7	25.2
Construction contracts awarded							
Total, current dollars (mils.)	584.2	556.3	385.5	4.6	51.5	7.6	35.1
Residential building	254.9	214.6	167.8	18.8	51.9	5.3	43.2
Nonresidential building	193.7	226.3	136.5	-14.7	42.6	8.7	60.8
Nonbuilding (utilities and public works)	136.1	117.3	82.2	16.0	65.6	12.0	-8.1
Total, constant 1977 dollars (mils.)[2]	348.2	341.1	299.3	2.1	16.3	5.0	3.7
Residential building	151.9	131.1	130.3	15.9	16.6	2.7	9.9
Nonresidential building	116.1	138.3	105.2	-16.8	9.4	6.1	23.5
Nonbuilding	81.1	71.7	63.8	13.1	27.1	9.3	-29.6
Employed, no. of persons (thous.)	5,105	4,988	4,990	2.3	2.3	2.0	6.4
Unemployed							
No. of persons (thous.)	444	499	370	-11.0	20.0	-2.7	35.4
Rate (percentage of labor force)	8.0	9.1	6.9				
Civilian labor force, no. of persons (thous.)	5,549	5,487	5,360	1.1	3.5	1.7	10.0
Initial claims for unemployment benefits (thous.)	126	125	144	0.8	-12.5	4.7	n.a.
Consumer Price Index for All Urban Consumers: all items (1967 = 100)							
U.S. city average						3.6	48.2
Philadelphia	314.2	300.6	213.6	4.5	47.1		
Pittsburgh	326.6	319.0	217.3	2.4	50.3		
Northeast PA	306.1	295.9	210.7	3.4	45.3		

NOTES: All data are preliminary and are subject to revision.

[1] Pennsylvania is the only state mining anthracite coal.

[2] Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.

Resident employment should show moderate advances and **the unemployment rate will probably fall slightly from its 8 percent 1985 level.**

Assuming these trends do in fact transpire, the recovery will enter its fifth year, making it the third longest in post-World War II history.

William D. Anderson

Around the State

Northeastern Quarter

Allentown-Bethlehem

Trends in the Allentown-Bethlehem area mirrored those in the State in 1985: strength in nonmanufacturing alongside weakness in manufacturing. The end result was moderate growth in 1985, albeit less than in 1984.

There was a 4.4 percent gain in nonmanufacturing jobs last year compared to 1984's 5.7 percent increase. Job levels rose each quarter after seasonal adjustment, settling at a record 177,600 for the year, up 7,500 from a year ago. The situation was not so bright in manufacturing where the number of jobs fell each quarter after adjustment. The 87,000 jobs in the sector represent the lowest level on record. There were 4 percent fewer jobs relative to a year ago following a 2.8 percent 1984 increase. Losses occurred in both durable and nondurable goods industries.

Job levels in all nonagricultural establishments in the area rose for the third straight year. The 264,900 jobs represent a 1.6 percent annual gain following a 4.6 percent increase in 1984.

Nonresidential construction contract values, at $10 million per month, were one-half their 1984 level. The shortfall was due to a poor fourth quarter relative to a year ago. The $29.8 million in residential awards on a monthly basis represents a 17.9 percent gain over 1984. Awards were higher each quarter compared to year-ago levels.

Resident employment was up 2.4 percent in 1985, nearly identical to the State's advance, despite a seasonally adjusted 1.4 percent fall in the fourth quarter. At 291,700, employment set a new record. The 1985 gain was one-half the 1984 advance. Despite adjusted increases in the second and fourth quarters, the number of residents counted as unemployed dropped for the second straight year, averaging 25,700. This helped lower the unemployment rate from 8.7 percent to 8.1 percent following a 3/3 percentage point decline in 1984.

A glance at trends since 1979 highlights the structural changes taking place in the economy. There has been a considerable fall in manufacturing activity over the period. However, the slack in that sector has been offset by strength in nonmanufacturing, where there was a 15.5 percent increase in jobs and a corresponding increase in its relative importance. Overall, resident employment rose 3.6 percent. The number of unemployed was 29.1 percent higher and the unemployment rate stood 1.5 points higher than in 1979.

Scranton-Wilkes-Barre

The economy of the Scranton-Wilkes-Barre area grew moderately in 1985 as gains in nonmanufacturing offset losses in manufacturing. In fact, job levels in nonmanufacturing rose 3.4 percent to an all-time high 200,000 after a 1.9 percent gain in 1984. A 0.9 percent seasonally adjusted gain in the fourth quarter contributed to the increase.

Manufacturing job levels fell 2.5 percent to their second lowest level since record keeping began in 1974, 74,200. However, the slight seasonally adjusted increase in the fourth quarter was the first since 1984:IVQ. The decline in 1985 follows a 3.3 percent increase in 1984. Overall, the number of jobs in the area's nonagricultural establishments rose by 4,500 last year to 274,100.

Allentown-Bethlehem Area[1]

	Ave. mo. value 3 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment (in thousands)				
Employed, no. of residents	292.4	106	108	106
Unemployed, no. of residents	25.9	132	121	125
Rate, seasonally adjusted	8.7			
Civilian labor forces, no. of residents	318.2	108	108	107
Local industries (in thousands)				
All nonagricultural ind., no. of wage and salary jobs	265.7	103	103	103
Nonmfg. only, no. of jobs	182.0	122	120	117
Mfg. only, no. of jobs	83.6	78	80	84
Hrs. worked by production workers on mfg., ave. weekly	39.3	103	103	102
Industrial electric power sales				
Metropolitan area	***	109	109	108
Allentown	***	101	104	103
Bethlehem	***	115	113	113
Easton	***	103	99	100

Construction contracts awarded (in millions of dollars)	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	64.8	– 5	+ 23
Nonresidential contracts only	42.2	+ 61	– 74

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Sales of electricity to industrial customers, a good proxy for production, fell 1.4 percent in the region during 1985 following a 6.1 percent increase in 1984. At 37.9 hours, the average workweek in the area's manufacturing establishments was 2 hours less than in the Commonwealth.

Enough jobs were created in the region's economy to absorb an increase in the labor force and reduce the number of unemployed. Resident employment rose by 8,400 to 312,200, a new record. This translates into a 2.8 percent gain compared to the Commonwealth's 2.3 percent increase. Coupled with the increase of 4,400 in the labor force, this reduced the number of unemployed by 3,900 to 32,400, the lowest level since 1979. The end result was a 1.3 percentage point decline in the unemployment rate, from 10.7 percent to 9.4 percent. A similar decline occurred in 1984.

The economy of the region has performed slightly better than the Commonwealth's since 1979, the year before the back-to-back recessions of the early 1980's. Manufacturing job levels declined 15.1 percent over the 1979-1985 period compared to the State's 21.8 percent

	Allentown-Bethlehem			Altoona			Beaver		
	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85
Local Industries									
No. of wage-and salary jobs (thous.)									
All nonfarm industries	264.9	260.8	1.6	48.8	47.8	2.1	54.8	55.7	– 1.6
Manufacturing	87.8	90.6	– 4.0	11.1	11.3	– 1.8	15.2	17.2	– 11.6
Durable goods	42.8	44.5	– 3.8	4.8	5.0	– 4.0	12.9	14.8	– 12.8
Nondurable goods	44.2	46.2	– 4.3	6.3	6.3	0.0	2.3	2.4	– 4.2
Nonmanufacturing	177.6	170.1	4.4	37.7	36.5	3.3	39.6	38.5	2.9
Ave. wkly. hours worked by production workers									
Manufacturing	39.2	39.1	0.3	39.2	39.3	– 0.3	39.6	41.2	– 3.9
Durable goods	41.3	42.0	– 1.7	39.1	39.7	– 1.5	39.5	41.3	– 4.4
Nondurable goods	37.0	36.6	1.1	39.2	38.9	0.8	40.1	40.5	– 1.0
Industrial electric power sales index (1977 = 100)	108.5	105.1	0.2	81.5	84.3	– 3.3	n.a.	n.a.	
Construction contracts awarded (mil. dols.)									
Residential building	19.8	16.8	17.9	2.0	1.8	11.1	1.9	2.4	– 20.8
Nonresidential building	10.0	20.1	– 50.2	1.4	2.4	– 41.7	0.9	0.8	12.5
Employment of Residents									
Employed, no. of persons (thous.)	291.2	284.8	2.4	51.3	49.8	3.0	67.9	68.0	– 0.1
Unemployed									
No. of persons (thous.)	25.7	27.2	– 5.5	5.8	6.3	– 7.9	10.4	10.8	– 3.7
Rate (percentage of labor force)	8.1	8.7		10.2	11.3		13.3	13.7	
Civilian labor force, no. of persons (thous.)	317.4	312.0	1.7	57.1	56.1	1.8	78.2	78.7	– 0.6

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	109.9	108.1	1.7	273.6	268.5	1.9	77.2	75.5	2.3
Manufacturing	36.3	36.2	0.3	51.7	53.8	– 3.9	12.3	12.6	– 2.4
Durable goods	26.0	26.4	– 1.5	24.3	25.9	– 6.2	6.7	7.1	– 5.6
Nondurable goods	10.3	9.8	5.1	27.4	28.0	– 2.1	5.5	5.6	– 1.8
Nonmanufacturing	73.6	71.3	3.2	221.8	214.6	3.4	64.8	62.7	3.3
Ave. wkly. hours worked by production workers									
Manufacturing	42.0	42.1	0.2	39.5	39.9	– 1.0	37.3	37.2	0.3
Durable goods	41.1	41.9	1.9	40.0	40.7	– 1.7	39.0	38.9	0.3
Nondurable goods	44.3	42.9	3.3	39.1	39.2	– 0.3	35.1	35.2	– 0.3
Industrial electric power sales index (1977 = 100)	92.5	91.3	1.3	74.2	88.9	– 16.5	148.0	145.6	1.6
Construction contracts awarded (mil. dols.)									
Residential building	3.7	3.5	5.7	14.8	12.3	20.3	3.5	3.6	– 2.8
Nonresidential building	3.0	3.8	– 21.1	10.0	19.6	– 49.0	3.0	2.0	50.0
Employment of Residents									
Employed, no. of persons (thous.)	114.3	111.2	2.8	298.1	289.3	3.0	88.9	86.1	3.3
Unemployed									
No. of persons (thous.)	10.9	12.2	– 10.7	16.7	17.7	– 5.6	12.3	14.4	– 14.6
Rate (percentage of labor force)	8.7	9.9		5.3	5.8		12.2	14.3	
Civilian labor force, no. of persons (thous.)	125.2	123.4	1.5	314.8	307.0	2.5	101.2	100.5	0.7

NOTE: All 1985 data are preliminary and are subject to revision.
All data are average of monthly figures.

decline. The increase in nonmanufacturing jobs has been nearly identical to the Commonwealth's. The region realized a 3.1 percent increase in total employment, while the State saw employment rise 2.3 percent. Similarly, the increase in the region's unemployment rate over the period, 0.5 percentage point, was less than one-half the increase in the Commonwealth.

Williamsport

The Williamsport area economy moved forward ever so slightly in 1985. Job losses in manufacturing were not as severe as in most parts of the State. There were 15,000 manufacturing positions in the area's economy, 0.7 percent less than in 1984 and the second lowest level on record. Declines in nondurable goods industries offset gains in durable goods. The Commonwealth suffered a 3.2 percent job decline in the sector. In 1984, the area realized an 8.6 percent gain in manufacturing jobs.

At the same time, job levels in nonmanufacturing establishments were at an all-time high in the region last year. The 30,500 nonmanufacturing positions represent a gain of 2 percent over 1984 as job levels rose in each of

	Lancaster			Philadelphia			Pittsburgh		
	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85
Local industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	194.7	191.0	2.0	2,016.4	1,984.7	1.6	841.4	836.0	0.6
Manufacturing	97.0	98.1	- 1.1	395.0	396.3	- 0.3	137.4	147.6	- 6.9
Durable goods	33.4	32.5	0.3	214.1	216.0	- 0.9	100.6	109.8	- 8.4
Nondurable goods	23.7	24.6	- 3.7	180.9	184.1	- 1.7	36.8	37.8	- 2.6
Nonmanufacturing	107.7	103.6	3.8	1,620.1	1,587.4	2.1	703.6	687.6	2.3
Ave. wkly. hours worked by production workers									
Manufacturing	39.8	39.4	0.0	40.1	40.3	- 0.5	40.7	41.0	- 0.7
Durable goods	40.6	41.2	- 1.5	41.1	41.3	- 0.5	40.9	41.2	- 0.7
Nondurable goods	39.0	38.4	1.6	39.0	39.2	- 0.5	40.1	40.1	0.0
Industrial electric power sales index (1977 = 100)	122.7	130.5	- 6.0	109.3	93.5	0.8	67.2	76.5	- 12.2
Construction contracts awarded (mil. dols.)									
Residential building	53.8	74.8	- 28.0	133.6	91.7	- 28.2	31.4	32.4	- 3.1
Nonresidential building	0.0	0.2	- 3.5	108.7	109.7	4.8	44.5	39.2	13.5
Employment of Residents									
Employed, no. of persons (thous.)	189.1	183.0	3.3	2,136.2	2,089.8	2.2	873.1	857.6	1.8
Unemployed									
No. of persons (thous.)	8.9	9.3	- 4.8	136.1	153.0	- 10.9	90.4	110.2	- 18.0
Rate (percentage of labor force)	4.5	4.8		6.0	6.8		9.4	11.4	
Civilian labor force, no. of persons (thous.)	198.0	192.3	3.0	2,272.4	2,242.7	1.3	963.5	967.8	- 0.6

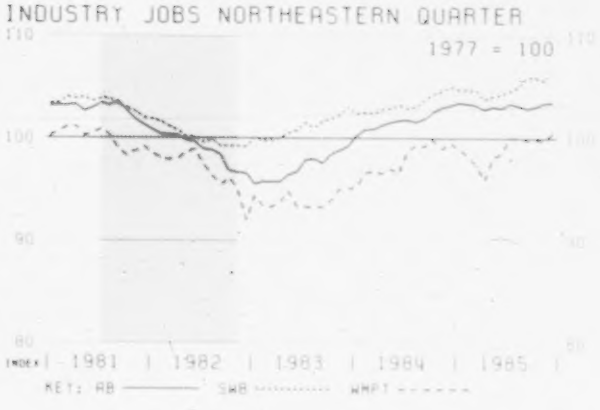
	Reading			Scranton-Wilkes-Barre			Sharon		
	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85
Local industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	144.7	142.2	1.8	274.5	269.6	1.7	39.7	39.9	- 0.5
Manufacturing	50.7	52.9	- 4.2	74.3	76.1	- 2.5	10.3	10.7	- 3.7
Durable goods	30.7	31.7	- 3.2	27.7	28.1	- 1.4	9.1	9.5	- 4.2
Nondurable goods	20.0	21.3	- 6.1	46.5	48.0	- 3.1	1.1	1.2	- 8.3
Nonmanufacturing	93.9	89.3	5.2	200.0	193.4	3.4	29.5	29.1	1.4
Ave. wkly. hours worked by production workers									
Manufacturing	40.3	40.6	- 0.8	37.9	38.1	- 0.5			
Durable goods	41.2	42.0	- 1.9	41.2	41.8	- 1.4			
Nondurable goods	39.7	39.7	- 0.0	36.1	36.2	- 0.3			
Industrial electric power sales index (1977 = 100)	123.1	120.7	1.9	101.3	102.7	- 1.4	101.8	108.4	- 6.1
Construction contracts awarded (mil. dols.)									
Residential building	7.8	6.6	18.2	17.3	12.6	37.3	1.9	1.5	6.7
Nonresidential building	2.6	5.0	- 54.5	9.8	11.3	- 48.7	1.8	1.6	6.3
Employment of Residents									
Employed, no. of persons (thous.)	155.4	151.0	2.9	312.2	303.8	2.8	44.1	43.7	0.9
Unemployed									
No. of persons (thous.)	12.2	11.7	4.3	32.4	36.3	- 10.7	4.8	6.3	- 23.8
Rate (percentage of labor force)	7.3	7.2		9.4	10.7		9.8	12.5	
Civilian labor force, no. of persons (thous.)	167.6	162.7	3.0	344.6	340.1	1.3	49.0	50.0	- 2.0

NOTE: All 1985 data are preliminary and are subject to revision.
All data are average of monthly figures.

the last three quarters after seasonal adjustment. The 600 additional jobs in the sector overshadowed the 100 lost in manufacturing, resulting in a gain of 500 jobs in all nonagricultural establishments to 45,500.

There was a gain of 0.2 hour in the average manufacturing workweek in the region to 39.6 hours, after a strong second half of the year. However, the area's workweek was still below the Commonwealth's 39.9 hours. There was a disappointing decline of 24.3 percent in electricity sales to industry.

The unemployment rate in the region in 1985, 9.5 percent, was higher than the Commonwealth's 8 percent. The jobless rate fell 1.5 percentage points from a year



Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment (in thousands)				
Employed, no. of residents				
Metropolitan area	316.8	110	110	108
Lackawanna County[2]	98.3	110	111	108
Luzerne County[3]	148.0	110	111	108
Unemployed, no. of residents				
Metropolitan area	30.0	96	95	102
Rate, seasonally adjusted	8.9			
Lackawanna County[2]	7.2	78	90	86
Luzerne County[3]	16.5	108	104	116
Civilian labor force, no. of residents				
Metropolitan area	346.8	108	109	108
Lackawanna County[2]	105.5	107	109	106
Luzerne County[3]	164.5	110	110	109
Local industries, Metropolitan area (in thousands)				
All nonagricultural ind., no. of wage and salary jobs	277.7	106	105	105
Nonmfg. only, no. of jobs	203.8	114	113	111
Mfg. only, no. of jobs	73.7	89	89	92
Hrs. worked by production workers in mfg., ave. weekly	37.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	101	101	102
Lackawanna County[2]	***	110	108	106
Luzerne County[3]	***	93	95	96
Hazleton	***	85	88	89
Wilkes-Barre	***	98	97	100

Construction contracts awarded (in millions of dollars)	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	54.8	−16	+51
Nonresidential contracts only	11.2	−67	−71

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties.
[2] Includes Scranton.
[3] Includes Wilkes-Barre and Hazleton.
[4] Excludes Wyoming County.

	State College			Williamsport			York		
	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85	1985	1984	Percentage Change 84-85
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	50.5	48.3	4.6	45.5	45.0	1.1	162.0	157.9	2.6
Manufacturing	7.9	8.0	− 1.2	18.0	15.1	0.7	59.1	59.7	− 1.0
Durable goods	5.2	5.3	1.9	8.5	8.6	1.2	37.3	37.5	− 0.5
Nondurable goods	2.8	2.6	7.7	6.3	6.5	− 3.1	21.8	22.2	− 1.8
Nonmanufacturing	42.3	40.4	5.0	30.6	29.9	2.0	102.9	97.8	5.2
Ave. wkly. hours worked by production workers									
Manufacturing				39.6	39.4	0.5	41.0	41.5	− 1.2
Durable goods				40.3	40.1	0.5	41.4	42.3	− 2.1
Nondurable goods				38.6	38.6	0.0	40.0	40.3	− 0.7
Industrial electric power sales index (1977 = 100)	100.1	104.1	3.8	9.6	105.2	24.9	104.7	102.0	2.6
Construction contracts awarded (mil. dols.)									
Residential building	5.5	3.9	41.0	1.9	1.1	36.4	10.0	8.3	20.5
Nonresidential building	2.9	2.8	3.6	2.2	2.1	28.6	3.6	3.8	5.3
Employment of Residents									
Employed, no. of persons (thous.)	51.4	48.6	5.8	47.0	46.2	2.2	175.3	169.0	3.7
Unemployed									
No. of persons (thous.)	4.1	4.2	− 2.4	4.9	5.7	13.0	13.6	14.7	7.5
Rate (percentage of labor force)	7.4	8.0		9.5	11.0		7.2	8.0	
Civilian labor force, no. of persons (thous.)	55.5	52.9	4.9	52.1	51.9	0.4	189.0	183.6	2.9

NOTE: All 1985 data are preliminary and are subject to revision.
All data are average of monthly figures.

Williamsport Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed, no. of residents	48.3	103	104	102
Unemployed, no. of residents	4.5	99	101	111
Rate, seasonally adjusted	8.9			
Civilian labor force, no. of residents	52.8	102	104	103
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	46.8	100	100	100
Nonmfg. only, no. of jobs	31.3	110	109	107
Mfg. only, no. of jobs	15.3	85	86	87
Hrs. worked by production workers in mfg., ave. weekly	41.0	106	102	100
Industrial electric power sales	n/a	76	79	101

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	3.9	-49	+27
Nonresidential contracts only	3.4	-82	+3

[1]Lycoming County

earlier despite a seasonally adjusted increase in the fourth quarter. In 1984's a 3.4 point drop in the unemployment rate occurred. Part of 1985's decline was due to a decrease of 800 in the number of residents counted as unemployed to 4,900, the lowest level since 1978.

Resident employment in the region rose to its highest level since 1979 last year. 47,200, despite a fourth quarter decrease after seasonal adjustment. The 2.2 percent increase follows a 3.8 percent gain in 1984 and was only slightly less than the Commonwealth's 2.3 percent advance.

On the construction front, the area was one of only three in the State to realize gains in the value of both residential and nonresidential construction contracts. The $1.5 million monthly average in residential contracts represents a gain of 36.4 percent over 1984, while on the nonresidential side, the 28.6 percent gain left contract values at $2.7 million per month.

Southwestern Quarter

Altoona

Spurred by gains in the nonmanufacturing sector, the Altoona area economy grew at a moderate pace in 1985, but failed to surpass 1984's gains. At 10.2 percent, the unemployment rate in the region was at its lowest level since 1980 despite a seasonally adjusted 0.4 percentage point jump in the fourth quarter. There was a 1.1 point drop in 1985 compared to 1984's 4.8 point decline. The 5,800 residents counted as unemployed represent a decline of 500 on the heels of a 1984 decline of 2,900. More residents were employed, 51,300, than at any time since 1980.

The nonmanufacturing sector accounted for all of the increase in nonagricultural jobs in the region. There were 48,800 nonagricultural jobs in 1985, up by 1,000 compared to 1984. A gain of 1,200 jobs in the nonmanufacturing sector offset a loss of 200 in the area's manufacturing establishments.

There were 37,700 jobs in nonmanufacturing establishments as increases in the first three quarters offset a fourth quarter decline after seasonal adjustment. The increase was similar to 1984's, leaving the number of jobs in the sector at its highest level since 1980. Manufacturing jobs, on the other hand, were at their second lowest level on record, 11,100, after declining in three of the four quarters. Job levels in nondurable goods were unchanged from 1984, while there was a decline of 200 in durable goods. The sector's poor performance follows a 6.6 percent gain in 1984.

At $2 million per month, construction contract awards

Altoona Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed, no. of residents	50.0	99	101	98
Unemployed, no. of residents	5.7	143	145	135
Rate, seasonally adjusted	10.2			
Civilian labor force, no. of residents	55.7	102	104	101
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	48.8	96	96	94
Nonmfg. only, no. of jobs	38.3	100	100	97
Mfg. only, no. of jobs	11.0	84	84	87
Hrs. worked by production workers in mfg., ave. weekly	39.0	103	104	104
Industrial electric power sales	n/a	81	81	82

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	9.1	+128	+128
Nonresidential contracts only	6.0	-40	-73

[1]Blair County

for residential buildings were valued 11.1 percent higher than in 1984 on the strength of a healthy final quarter. Activity in the nonresidential area was down in 1985 as the $1.4 million monthly contract awards fell 41.7 percent below 1984 levels. A weak fourth quarter contributed to the shortfall.

The Altoona region has not returned to pre-recession levels of economic activity. Jobs in both the manufacturing and nonmanufacturing sectors have failed to attain 1979 levels. Given the 6.5 percent increase in nonmanufacturing jobs since 1979 in the Commonwealth, the Altoona region's 3.6 percent decline is troublesome. Resident employment was down 2.8 percent, while the unemployment rate stood 1.2 percentage points higher than in 1979.

Johnstown

The Johnstown area economy showed modest gains in 1985 after a strong year in 1984. The region's unemployment rate averaged 12.2 percent last year, the lowest since 1979. This represents a decline of 2.1 percentage points from a year earlier following 1984's 6 point decline. A 0.5 percentage point increase in the fourth quarter after seasonal adjustment prevented a larger decline.

An increase of 2,800 in the number of area residents employed to 88,900 contributed to the decline. There was a net inflow of 700 into the labor force, which, together with the increase in employment, lowered the number of residents counted as unemployed by 2,100 to 12,300.

The nonmanufacturing sector fueled economic growth in the Johnstown area in 1985 despite a seasonally adjusted decline in the year's final quarter. The 64,800 positions in the sector represent a gain of 2,300 over the previous year following an increase of 1,900 in 1984. Unlike the situation in the Commonwealth as a whole, nonmanufacturing job levels failed to set a record in 1985.

Manufacturing jobs fell to their lowest level on record, 12,300, a decline of 300 from 1984 when an increase of 200 jobs was registered. After seasonal adjustment, the number of jobs in area establishments was unchanged from the third quarter in the October-December period following declines in the first three quarters of the year. Despite manufacturing's slump, there were 1,700 more nonagricultural positions in the area's establishments in 1985 compared to 1984.

On the bright side, there was a slight 0.1 hour increase in the average manufacturing workweek to 37.3 hours as a gain in durable goods industries offset a decline in nondurable goods. A fourth quarter seasonally adjusted decline kept the improvement to a minimum. In 1984, there was a 1.1 hour increase in the area's workweek. There was a 1.6 percent increase in electricity sales to industrial customers in 1985. The increases in the workweek and electricity sales suggest that there is some hope for improvement in manufacturing.

Johnstown Area[1]

	Ave. mo. value 4 Q. 85	Average monthly index seas. adj. (1977 = 100) 4 Q. 85	3 Q. 85	4 Q. 84
Employment *(in thousands)*				
Employed, no. of residents	88.3	91	92	90
Unemployed, no. of residents	11.5	111	112	131
Rate, seasonally adjusted	12.0			
Civilian labor force, no. of residents	100.9	93	94	94
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	77.6	88	89	87
Nonmfg. only, no. of jobs	65.5	98	98	96
Mfg. only, no. of jobs	12.2	58	58	59
Hrs. worked by production workers in mfg., ave. weekly	36.8	95	98	94
Industrial electric power sales	***	158	154	141
Construction contracts awarded *(in millions of dollars)*	Total 4 Q. 85	Percentage Change Quarter Ago		Year Ago
Residential contracts only	9.1	– 20		+ 7
Nonresidential contracts only	11.9	+ 129		+ 376

[1] Cambria and Somerset Counties.

Relative to the State, the Johnstown area has had a difficult time adapting to the changing economic environment in the first half of this decade. Manufacturing job levels have declined 39.4 percent from 1979, while there are 7.8 percent fewer nonmanufacturing jobs. Resident employment is down, while unemployment is up.

State College

Trends in the State College area economy in 1985 coincided with those throughout the Commonwealth as gains in nonmanufacturing offset losses in manufacturing. All told, there were 50,500 nonagricultural jobs in the region's establishments last year, up 2,200 from 1984 when 1,800 positions were added.

Nonmanufacturing job levels stood at an all-time high of 42,500, a gain of 2,100 or 5.2 percent. Jobs in the sector rose 3.2 percent in the Commonwealth in 1985. The increase follows a 3.3 percent gain in the region in 1984. Seasonally adjusted job levels rose in three of the four quarters, including a 0.7 percent gain in the October-December period. There were 20.1 percent more jobs in the sector in 1985 relative to 1979, more than three times the increase in the Commonwealth.

Jobs in the region's manufacturing establishments stood at 7,900 in 1985, down a slight 100 from a year earlier. This follows a gain of 600 jobs in 1984. Had it not been for a poor fourth quarter, there may have been a year-over-year increase in 1985. The State College metropolitan area actually had a 9.7 percent increase in the number of manufacturing jobs over the 1979-1985 period, the only area to realize such an increase.

Spurred by the gains in nonmanufacturing, resident employment in the region rose 5.8 percent to a record high 51,400. This is more than twice the 2.3 percent gain realized in the Commonwealth and is larger than 1984's 4.1 percent gain.

State College Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment (in thousands)				
Employed, no. of residents	53.5	125	127	121
Unemployed, no. of residents	4.2	165	139	158
Rate, seasonally adjusted	7.8			
Civilian labor force, no. of residents	57.7	128	128	123
Local industries (in thousands)				
All nonagricultural ind., no. of wage and salary jobs	52.8	126	126	121
Nonmfg. only, no. of jobs	44.9	127	126	121
Mfg. only, no. of jobs	7.7	120	126	124
Industrial electric power sales	n.a.	97	100	101

Construction contracts awarded (in millions of dollars)	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	11.1	−42	+46
Nonresidential contracts only	11.7	−20	−47

[1]Centre County

The number of residents counted as unemployed fell a slight 2.4 percent last year to 4,100. Still, coupled with the increase in employment, it was enough to push the jobless rate down 0.6 percentage point to 7.4 percent. This follows a 2.6 point fall in 1984 and occurred despite a 1.2 percentage point gain after seasonal adjustment in the fourth quarter. The unemployment rate remained 1.6 points higher than in 1979, while the number of individuals counted as unemployed stood 51.9 percent above pre-recession levels.

Both residential and nonresidential construction contract awards rose in value last year. At $5.5 million per month, residential awards were 41 percent higher than in 1984, the sharpest advance in the State. Nonresidential contract awards rose 3.6 percent over 1984 levels, settling at $2.9 million per month, considerably better than the State's 14.7 percent decline.

Pittsburgh-Beaver Valley

Economic growth in the Pittsburgh-Beaver Valley area remained below that for the Commonwealth in 1985. The jobless rate in Beaver County, 13.3 percent, was the highest of all metropolitan areas and was down just 0.4 percentage points from a year ago. Similarly, the unemployment rate in the Pittsburgh area, 9.4 percent, was well above the Commonwealth's 8 percent. However, the Pittsburgh area's unemployment rate was 2 percentage points less than in 1984.

Resident employment in the Pittsburgh area rose 15,500 last year to 873,100, the largest increase since 1979. However, the number of residents counted as unemployed fell 19,800 to 90,400, resulting in a decline in the labor force of 4,300. Hence, some of the decline in unemployment was apparently the result of individuals leaving the workforce, rather than finding jobs.

In Beaver County, resident employment actually fell by 100 last year to 67,900, the only metropolitan area in which this occurred. At the same time, the number of residents counted as unemployed fell 400 to 10,400. The decline in unemployment was not the result of employment gains, but rather the result of individuals leaving the labor force.

The 1985 decline in manufacturing jobs in the Pittsburgh area, 6.9 percent, and in Beaver County, 11.6 percent, were much larger than the Commonwealth's 3.2 percent decline. Manufacturing job levels in both areas were at all-time lows in 1985.

On the bright side, jobs in the nonmanufacturing sector rose in Beaver County by 2.9 percent and in the Pittsburgh area by 2.3 percent. The 39,600 nonmanufacturing positions in Beaver County represent the highest level since 1981, while the 703,600 jobs in the Pittsburgh area represent the highest level since data collection began in 1974.

Average weekly hours worked in manufacturing establishments declined in the Pittsburgh area and in Beaver County in 1985. The 40.7 hour average workweek in Pittsburgh was 0.8 hour above the Commonwealth's 39.9 hours, while Beaver County's workweek stood 0.3 hour below Pennsylvania's at 39.6 hours.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment (in thousands)				
Employed, no. of residents				
Pittsburgh	887.8	101	101	99
Beaver County	67.2	73	76	74
Unemployed, no. of residents				
Pittsburgh	81.4	135	137	161
Beaver County	10.5	156	152	144
Unemployment Rate, seas. adj.				
Pittsburgh	8.9			
Beaver County	13.6			
Civilian labor force, no. of residents				
Pittsburgh	969.3	103	104	103
Beaver County	77.7	79	81	79
Local industries (in thousands)				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh	864.4	97	97	96
Beaver County	64.2	71	73	72
Nonmfg. only, no. of jobs				
Pittsburgh	718.2	109	108	106
Beaver County	40.4	105	105	102
Mfg. only, no. of jobs				
Pittsburgh	135.6	62	62	65
Beaver County	13.8	36	40	43
Hrs. worked by production workers in mfg., ave. weekly				
Pittsburgh	41.4	n.a.	n.a.	n.a.
Beaver County	39.3	n.a.	n.a.	n.a.
Industrial electric power sales	n.a.	65	66	70

Construction contracts awarded (in millions of dollars)	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only			
Pittsburgh	77.6	38	−11
Beaver County	0.6	22	+19
Nonresidential contracts only			
Pittsburgh	109.8	45	14
Beaver County	2.7	+93	−43

[1]Allegheny, Fayette, Washington and Westmoreland counties
[2]Beaver County

Both areas have had difficulties coping with the changing economic environment of the 1980's. The number of manufacturing jobs has declined 38.8 percent in the Pittsburgh area over the 1979-1985 period and by an even larger 60.7 percent in Beaver County. Also discouraging is the weak 2.2 percent increase in nonmanufacturing jobs in the Pittsburgh area during the period and the 4.6 percent decline in Beaver County. The number of unemployed rose 50.4 percent in the Pittsburgh region and 96.2 percent in Beaver County.

Northwestern Quarter

Erie

The Erie area economy was the only one in the Commonwealth to realize an increase in manufacturing jobs in 1985. There were 36,300 jobs in the sector for a slight gain of 0.3 percent compared to the State's 3.2 percent decline. The increase came about despite a stagnant fourth quarter. Increases in nondurable goods jobs made up for losses in durable goods industries. The overall gain in 1985 was less than 1984's 1,900 increase and left job levels in the sector 18.8 percent below pre-recession levels.

Jobs in nonmanufacturing rose for the third straight year in totalling a record 73,600 despite a slight seasonally adjusted fall in the fourth quarter. The 3.2 percent increase in jobs over the year betters 1984's 2.1 percent gain and equals the increase in the Commonwealth. However, the gain in nonmanufacturing jobs since 1979 is considerably less than the increase throughout the State.

The gains in both sectors resulted in an increase of 1,800 nonagricultural jobs to 109,900 following a 1984 gain of 3,900. There were 6.2 percent fewer establishment-related jobs in 1985 compared to 1979, an indication that the region is having trouble returning to pre-recession levels of economic activity.

Average weekly hours worked in the area's manufacturing establishments stood at 42 hours in 1985, the highest in the Commonwealth. The 0.1 hour fall from 1984 is the first since 1982 and is partially the result of a 0.4 hour seasonally adjusted decline in the fourth quarter. A strong 1.4 hour gain in nondurable goods industries was not enough to offset a decline in durable goods. Electricity sales to industrial customers, a good indicator of industrial production, rose 1.3 percent following 1984's 13.9 percent gain. A strong fourth quarter contributed to the increase.

The employment-unemployment situation also showed improvement in the region in 1985 but the improvements were less than in 1984. At 114,300, there were 3,100 more residents employed than a year ago following a 1984 increase of 4,200. Coupled with a 1,800 person increase in the labor force, this pushed the number of unemployed down 1,300. The unemployment rate dipped 1.2 percentage points to 8.7 percent after 1984's 4.7 point decline. Compared to 1979, employment in the region is down, while unemployment is up. The unemployment rate stood 1.5 percentage points higher than in 1979.

Erie Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment (in thousands)				
Employed, no. of residents	115.5	104	105	102
Unemployed, no. of residents	9.9	114	116	121
Rate, seasonally adjusted	8.3			
Civilian labor force, no. of residents	125.4	104	105	104
Local industries (in thousands)				
All nonagricultural ind., no. of wage and salary jobs	111.0	100	100	99
Nonmfg. only, no. of jobs	75.0	110	110	107
Mfg. only, no. of jobs	35.9	84	84	86
Hrs. worked by production workers in mfg., ave. weekly	42.4	102	103	102
Industrial electric power sales	---	94	88	94

Construction contracts awarded (in millions of dollars)	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	8.7	-2	-33
Nonresidential contracts only	4.6	-65	-41

[1] Erie County.

Sharon

Despite a 2.6 percentage point decline in the unemployment rate, the largest decline in the State, from 12.5 to 9.9 percent, the Sharon regional economy failed to pick up much ground in 1985. The decline, which follows a 5.5 point drop in 1984, still left the unemployment rate 3.3 points above the 1979 level. Pennsylvania's jobless rate was 1.1 percentage points higher in 1985 relative to 1979.

There was a slight increase of 400 or 0.9 percent in the number of residents counted as employed to 44,100. Total employment in the Commonwealth, on the other hand, rose 2.3 percent last year. Coupled with a decrease of 1,000 in the labor force, this resulted in a decline of 1,500 in the number of residents counted as

unemployed to 4,800. Hence, it appears that some of the decline in unemployment was the result of individuals leaving the labor force rather than finding jobs.

The region was one of only two areas throughout the State to suffer a decline in nonagricultural jobs last year. Establishment-related jobs fell 0.5 percent to 39,700. This follows a 1 percent gain in 1984. Job levels in manufacturing were at an all-time low of 10,300 after a 3.7 percent fall. A 3.2 percent decline occurred in the Commonwealth. However, the 4 percent seasonally adjusted increase in the fourth quarter was the region's first since 1984:IIIQ.

Nonmanufacturing jobs rose for the second straight year in the region. The 1.4 percent gain left job levels in the sector at 29,500. Again, the increase was not as strong as the State's 3.2 percent advance.

Economic developments over the past several years have resulted in an increase in nonmanufacturing's relative importance in the region. However, the increase in the sector's importance was partially the result of disproportionate job losses in manufacturing, where a 39.1 percent decrease in jobs occurred over the 1979-1985 period. A 1.3 percent job loss occurred in nonmanufacturing.

On the construction front, residential contract values averaged $1.6 million per month last year, up 6.7 percent from 1984. A strong first half made the increase possible. Nonresidential contract values fell 6.3 percent to $1.5 million per month. All of the decline was attributable to a weak second quarter.

Sharon Area[1]

	Ave. mo. value 4 Q '85	Average monthly index - seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed, no. of residents	44.7	92	92	92
Unemployed, no. of residents	4.3	116	111	140
Rate, seasonally adjusted	9.5			
Civilian labor force, no. of residents	49.0	93	94	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	40.3	88	88	88
Nonmfg. only, no. of jobs	29.9	102	102	101
Mfg. only, no. of jobs	10.4	64	62	66
Industrial electric power sales	***	102	93	105
		Percentage Change		
Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Quarter Ago		Year Ago
Residential contracts only	3.0	- 42		- 9
Nonresidential contracts only	2.8	- 58		+ 40

[1] Mercer County.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The Harrisburg-Lebanon-Carlisle area had the second lowest unemployment rate in the State in 1985, 5.3 percent, the lowest it has been since 1979. This represents an annual decline of 0.5 percentage point on the heels of a 1.7 point drop in 1984. The decline came about despite a slight fourth quarter increase after seasonal adjustment and is partially the result of the second straight annual decline in the number of unemployed residents, from 17,700 to 16,700.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 4 Q '85	Average monthly index - seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed, no. of residents	301.7	115	116	113
Unemployed, no. of residents	15.0	102	103	106
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	316.7	114	115	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	276.5	112	111	110
Nonmfg. only, no. of jobs	225.2	117	116	114
Mfg. only, no. of jobs	51.3	95	93	98
Hrs. worked by production workers in mfg., ave. weekly	40.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	70	78	78
		Percentage Change		
Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Quarter Ago		Year Ago
Residential contracts only	39.8	- 30		+ 18
Nonresidential contracts only	40.5	+ 26		- 16

[1] Cumberland, Dauphin, Lebanon, and Perry Counties.

As in the State, resident employment in the region rose to a record-high 298,100 despite a fourth quarter seasonally adjusted decline. The 3 percent gain in 1985 was less than 1984's 3.4 percent advance. Not surprisingly, the nonmanufacturing sector fueled the employment gain as job levels rose in each quarter. There were 221,800 jobs in the sector for a 3.4 percent gain, slightly higher than the Commonwealth's 3.2 percent increase but below 1984's 3.5 percent advance.

On the other hand, manufacturing job levels fell to 51,700, their lowest since data collection began in 1974. The decrease came about despite a seasonally adjusted fourth quarter gain, the first since 1984:IIIQ. The 1985 decline was 3.9 percent compared to a 3.3 percent gain a year earlier. Declines occurred in both durable and nondurable goods industries. Reflecting the decline in manufacturing, both the average factory workweek and electricity sales to industrial customers fell.

As in all other areas of the Commonwealth, the relative importance of the manufacturing sector in the region has declined since 1979 as job levels were off 12.4 percent compared to a 9.8 percent gain in nonmanufacturing establishments. Resident employment was up 8.6 percent compared to the Commonwealth's 2.3 percent gain. The unemployment rate was 0.4 percentage point higher than in 1979.

Lancaster

Lancaster's economy continued to outperform the Commonwealth's in 1985, especially in terms of nonagricultural activity. At 4.5 percent, the region's unemployment rate was the lowest in the State last year.

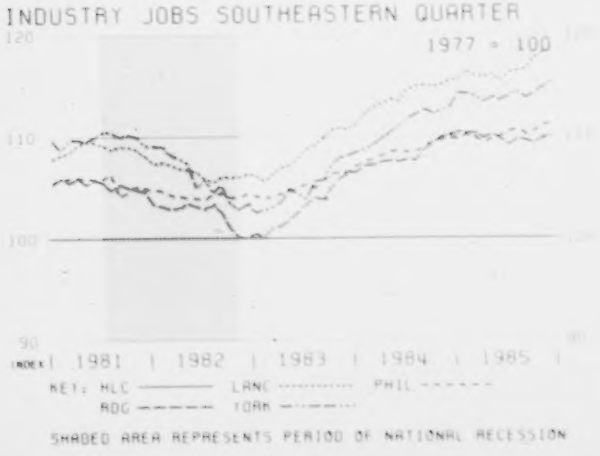
The decline in the unemployment rate was partially the result of an increase of 6,100 residents counted as employed. The 3.3 percent increase pushed employment to a record-high 189,100 despite a slight seasonally adjusted decline in the fourth quarter. Also contributing to the decline was the third straight decrease in the number of unemployed to 8,900.

Jobs in the area's nonagricultural establishments rose to a record-high 164,700 with a 2.3 percent increase, slightly higher than the Commonwealth's 1.6 percent advance. The increase was the result of a 4.8 percent rise in the number of jobs in nonmanufacturing establishments which left jobs levels in the sector at a record-high 107,700. Lancaster's gain was stronger than the Commonwealth's 3.2 percent increase in nonmanufacturing jobs.

These gains offset a 1.9 percent decline in the number of manufacturing jobs to 57,000 after a 5.3 percent increase in 1984. Still, the decline in manufacturing job levels was less than the Commonwealth's 3.2 percent fall. A slight seasonally adjusted increase in the fourth quarter was the first since 1984:IIIQ.

On the construction front, contracts awarded for residential buildings rose 11.7 percent to 814.3 million per month, slightly less than the State's 18.8 percent gain. However, the decline in nonresidential building awards, 3.8 percent, leaving them at 85 million per month, was not as strong as the decline in the Commonwealth.

The Lancaster area has adapted much more quickly to the changing economic environment of the 1980's than the State as a whole. The decline in the number of manufacturing jobs over the 1979-1985 period, 6.4 percent, is considerably less than the Commonwealth's 21.8 percent fall. Similarly, the area has added nonmanufacturing jobs at about twice the rate of the State. Resident employment was up 10.5 percent in the region compared to the Commonwealth's 2.3 percent gain.



Lancaster Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment (in thousands)				
Employed, no. of residents	193.1	121	121	118
Unemployed, no. of residents	7.8	101	113	107
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	200.9	120	121	118
Local industries (in thousands)				
All nonagricultural ind., no. of wage and salary jobs	164.5	118	116	115
Nonmfg. only, no. of jobs	111.4	130	128	124
Mfg. only, no. of jobs	57.1	100	99	102
Hrs. worked by production workers in mfg., ave. weekly	40.7	102	101	100
Industrial electric power sales	***	126	123	121

Construction contracts awarded (in millions of dollars)	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	39.4	− 12	+ 8
Nonresidential contracts only	26.5	+145	−36

[1] Lancaster County

Philadelphia

Overall trends in the Philadelphia economy in 1985 were similar to those throughout the State. Resident employment in the region rose 2.2 percent to a record-high 2.14 million, nearly identical to the Commonwealth's increase, as seasonally adjusted increases occurred in the first three quarters before a fourth quarter decline. In 1984, the employment gain was 3.4 percent. The number of residents counted as unemployed fell for the third straight year to 136,300. Again, the 10.9 percent decline in the region differed only slightly from the State's 11 percent decrease.

All told, 46,400 residents found jobs last year and there was a net inflow of 29,700 into the labor force. This reduced the number of unemployed by 16,700, lowering the unemployment rate from 6.8 percent in 1984 to 6 percent in 1985, the second lowest in the State, despite a seasonally adjusted increase of 0.3 percentage point in the final quarter. The unemployment rate fell 1.7 points in 1984.

Nonagricultural job levels, at 2.02 million, also set a new record in rising 1.6 percent from a year ago. The gain occurred despite a 0.3 percent decline in manufacturing jobs to 395,000, the second lowest level on record. Manufacturing's decline follows a 1.9 percent increase in 1984. Meanwhile, nonmanufacturing job levels settled at 1.62 million, a new record. The 1985 increase of 2.1 percent follows a 3.6 percent advance in 1984.

Reflecting the slump in manufacturing, the average workweek in the area's manufacturing establishments fell 0.2 hour to 40.1 hours, similar to the State's 0.3 hour fall. There was a seasonally adjusted 0.3 hour gain in the fourth quarter. The workweek declined in both durable and nondurable goods industries. A slight increase of 0.8 percent occurred in electricity sales to

industrial customers following a 2.8 percent gain in 1984.

The Philadelphia region's economy, for the most part, has been able to return to pre-recession levels of economic activity. Nonagricultural jobs were up 5 percent last year compared to 1979 as gains in nonmanufacturing offset losses in manufacturing. Resident employment was up relative to 1979, while unemployment was down. In fact, the area realized a 1 percentage point decline in its unemployment rate between 1979 and 1985, the only metropolitan area in which this occurred.

Reading

Although the Reading area economy outpaced the Commonwealth in employment growth during 1985, it failed to generate enough jobs to absorb an increase in the labor force, causing an increase in unemployment. The 155,400 residents employed represents a gain of 2.9 percent over 1984 compared to the State's 2.3 percent gain. This translates into 4,400 new employed residents and occurred despite a seasonally adjusted fourth quarter decline.

At the same time, the region's labor force rose by 4,900, resulting in an increase of 300 or 4.3 percent in the number of residents counted as unemployed. This increase was reflected in a 0.1 percentage point rise in the area's unemployment rate, the only area in which an increase occurred. Pennsylvania's unemployment rate fell 1.1 percentage points last year and the number of unemployed fell 11 percent.

Nonmanufacturing job levels in the Reading area rose to a record-high 93,900 in 1985 for a 5.2 percent gain. This follows a 4.1 percent increase in 1984. The number of jobs in the region's nonmanufacturing establishments rose each quarter after seasonal adjustment. Reading's gains were higher than the 3.2 percent increase in the Commonwealth.

In the manufacturing sector, job levels fell 4.2 percent to 50,700. Seasonally adjusted declines occurred in each quarter. The region's decrease was higher than the State's 3.2 percent decline and follows a 6.4 percent gain in 1984. Overall, the gains in nonmanufacturing offset the losses in manufacturing, pushing the number of jobs in the region's nonagricultural establishments to a record-high 144,700.

Construction activity in the region followed trends throughout the Commonwealth: increases in residential construction and declines in the nonresidential sector. Residential contract awards averaged $7.8 million per month, up 18.2 percent from a year earlier. Contract values were higher than the same period in 1984 in each quarter but the fourth. Nonresidential contract values fell 54.5 percent to $2.5 million per month.

As is the case throughout the Commonwealth, the nonmanufacturing sector's relative importance has been on the increase in the Reading area. Job levels in the sector jumped 11.7 percent over the 1979-1983 period compared to the 7.5 percent decline in manufacturing.

Philadelphia Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed, no. of residents	2166.5	113	114	112
Unemployed, no. of residents	124.3	76	73	80
Rate, seasonally adjusted	6.0			
Civilian labor force, no. of residents	2290.8	110	111	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2048.6	111	110	110
Nonmfg. only, no. of jobs	1652.6	118	118	116
Mfg. only, no. of jobs	393.9	88	88	89
Hrs. worked by production workers in mfg., ave. weekly	40.6	101	100	102
Industrial electric power sales	---	102	99	99

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	345.8	-27	+25
Nonresidential contracts only	385.0	+13	+00

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

York

For the most part, the York area economy had a good year in 1985 compared to other areas around the State. The region's jobless rate, at 7.2 percent, was well below the Commonwealth's 8 percent unemployment rate.

Enough jobs were generated in the economy to absorb an increase in the labor force and reduce the number of unemployed. All told, resident employment rose 6,300 in 1985 to a record-high 175,200. The 3.7 percent gain was considerably higher than the State's 2.3 percent advance. Coupled with a net inflow of 5,400 into the labor force, this reduced the number of unemployed by 1,100 to 13,600, the lowest level since 1980.

The region's nonmanufacturing sector turned in a very strong performance in 1985. Job levels in the sector rose to a record-high 102,900. This represents a gain of 5.2

Reading Area[1]

	Ave. mo. value 4 Q '85	Average monthly index seas. adj. (1977 = 100) 4 Q '85	3 Q '85	4 Q '84
Employment *(in thousands)*				
Employed, no. of residents	157.7	114	116	114
Unemployed, no. of residents	11.0	134	144	125
Rate, seasonally adjusted	7.4			
Civilian labor force, no. of residents	168.6	116	117	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	146.8	110	110	110
Nonmfg. only, no. of jobs	96.7	118	117	114
Mfg. only, no. of jobs	49.8	96	98	104
Hrs. worked by production workers in mfg., ave. weekly	40.8	103	104	103
Industrial electric power sales	---	125	124	128

Construction contracts awarded *(in millions of dollars)*	Total 4 Q '85	Percentage Change Quarter Ago	Year Ago
Residential contracts only	19.9	-24	-12
Nonresidential contracts only	7.5	+6	-38

[1]Berks County.

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q. 85	4 Q. 85	3 Q. 85	4 Q. 84
Employment *(in thousands)*				
Employed, no. of residents	178.1	118	120	117
Unemployed, no. of residents	11.6	132	141	131
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	189.7	119	121	117
Local industries *(in thousands)*				
All nonagricultural info., no. of wage and salary jobs	164.4	115	114	112
Nonmfg. only, no. of jobs	105.2	126	126	122
Mfg. only, no. of jobs	59.3	99	98	100
Hrs. worked by production workers in mfg., ave. weekly	41.8	101	99	100
Industrial electric power sales	***	112	100	102

	Total	Percentage Change	
Construction contracts awarded *(in millions of dollars)*	4 Q. 85	Quarter Ago	Year Ago
Residential contracts only	25.9	−30	+16
Nonresidential contracts only	15.3	+43	+53

[1]Adams and York Counties.

percent from 1984, the largest advance in the State. Seasonally adjusted job levels rose each quarter. However, manufacturing job levels fell 1 percent to 59,100 after increasing 5.7 percent in 1984. On the bright side, there was a slight seasonally adjusted gain in the fourth quarter.

Residential construction activity was apparently up last year in the region as the value of contract awards rose 20.5 percent to $10 million per month. The value of awards was higher in each quarter of 1985 relative to 1984. Nonresidential contract awards fell 5.3 percent to a monthly average of $3.6 million.

Similar to trends throughout the State, the nonmanufacturing sector's relative importance has been on the increase in the region as of late due to a 12.8 percent increase in job levels in the sector over the 1979-1985 period coupled with a 10.6 percent decline in manufacturing.

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Pennsylvania Business Survey

February 1986 Vol. 27, No. 2

Published monthly by the Division of Research of the College of Business Administration, 103 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $7.00 a year. (ISSN 0031-4382)

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Pennsylvania Business Survey
Division of Research of the
College of Business Administration
The Pennsylvania State University
University Park, Pennsylvania 16802

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Nonprofit organization
U.S. postage paid
The Pennsylvania State University

U.Ed. 86-608

018-01-03331
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BETHESDA MD 20814